

---

Notice of Market Dominant  
Price Adjustment

---

Docket No. R2022-1

**COMMENTS OF THE  
NATIONAL ASSOCIATION OF PRESORT MAILERS  
(May 6, 2022)**

The National Association of Presort Mailers (NAPM) respectfully submits these comments on the United States Postal Service's Notice of Market-Dominant Price Change, R2022-1, dated April 6, 2022.

The NAPM is comprised of mail service providers, mail supply chain vendors and mail owners. Our mail service provider members act as the “facilitators” that enable businesses to use the USPS’ products and services easier and cheaper with better customer experience and USPS service performance. Our members work within the mail owner company’s departments (accounting/billing, marketing, customer relations, and more) to inform them about USPS’ products/services and educate them on how they can accomplish their business objectives through using the mail. Our members provide “total solution capabilities,” from printing, packaging, addressing, integrating omni-channel solutions, tracking, and more to enable the mail user to attain the greatest value mail offers them for their communications, business transactions, integrated marketing, and eCommerce business needs. Our members produce the most cost effective, efficient, and profitable mail for the USPS by commingling mail from multiple business customers into streamlined IMb Full-Service or Seamless mailings that help reduce the USPS’ costs, provide them with extensive mail data to support a host of USPS programs and services, and more.

Our members interact with tens of thousands of commercial mail consumers. Collectively, NAPM represents over 45 percent of the total First-Class Mail Presort Letters volume, a growing and significant percentage of Marketing Mail volume, and volumes in all USPS mail classes as well as Competitive Services categories. Our members are valued partners of the Postal Service, delivering high quality operationally efficient mail to its processing and delivery facilities at affordable prices to mail users designed to achieve their planned delivery needs. As the Postal Services’ closest business partners, NAPM members serve as an extension of its’ Sales Organization in selling their products and services, providing collateral and value-add services to its’ mailing customers, and working collaboratively with its Operations and Technology functions in developing innovative solutions integrating upstream mail supply chain services from manufacturing, production to transport and

entry, with its' strategic initiatives designed to achieve efficiencies necessary to keep mail a valued and affordable communications medium to its customers for years to come. Our members' mail manufacturing and processing operations are closely aligned to the USPS', we make our livelihoods selling, manufacturing, producing and presenting its mail products for their customer to their delivery network, and our financial sustainability is interdependent on the USPS' stability.

Similar to the Postal Service, NAPM members experienced many challenges over the past 2 years during the pandemic, many of which still exist and have been exacerbated by economic conditions. Our members continue to report issues with employee availability/hiring, as well as increased costs for services and materials necessary to operate their business due to supply chain disruptions. Over 65% of NAPM's members are smaller or mid-sized businesses who are finding it increasingly difficult to operate with these economic challenges. Any loss of customer volume as a result of higher postage prices adds to the economic pressures they are facing. Yet, even facing these challenges, we are dedicated to working collaboratively with the Postal Service to ensure its sustainability and help build solutions. We believe that there are elements in the USPS' 10-year strategic plan where we can work together to achieve the objectives the USPS has laid out, and we look forward to having continued dialogue with the Postal Service in that regard.

Our below comments are offered as a collaborative business partner with the USPS, as well as taking into account the challenges many of our members are facing.

## **I. Maximizing Pricing and Operational Efficiency**

NAPM commends the Postal Service for the instances where it has proposed workshare discounts that better represent Efficient Component Pricing (ECP). NAPM reiterates its support for the workshare rule changes promulgated by the PRC to help drive more efficient USPS pricing – which represented rule changes always under the PRC's purview to enact and which should be viewed separately from the revised rate cap rules the PRC enacted under the 10-year rate review which are being challenged by petition.

The instant price change proceeding represents the second proposed by the USPS under the PRC's rule changes. As more experience is being gained in applying the PRC rules around the USPS rate structure and the rules around workshare, there are cases cropping up where potential adjustments or clarifications may be needed to the PRC rules. We believe that these instances should be addressed sooner than the PRC's plan to review 5 years after implementation of the rules. Much harm can be done over that period by not correcting these incorrect interpretations, particularly in areas where the PRC has clearly and repeatedly articulated its position.

One example of this would be the USPS electing to set the passthrough back to 86.5% for the

Periodicals Machinable Nonautomation 3D/SCF Flats rate to address that the passthrough would have exceeded 100%, rather than decrease the passthrough but keep it close to 100% to drive efficient pricing behaviors. NAPM is concerned with this behavior on the part of the USPS, particularly when the PRC has clearly designed workshare rules that are meant to result in passthroughs as close to 100% as possible. While adjusting the passthrough to the lower part of the permissible workshare “band” at 86.5% may or may not be in direct violation of the applicable workshare rules the PRC enacted, it is not in keeping with the PRC’s “do no harm” directives to the USPS around workshare passthroughs. In Order No. 5763, the PRC was clear in discouraging the Postal Service from attempting to use the 85 percent passthrough floor as a “safe harbor” for workshare discounts and that it should take steps to keep workshare discounts close to 100% to achieve Efficient Component Pricing (ECP).

## **II. First-Class Mail Rate Design**

NAPM commends the USPS for the instances where it has proposed First-Class Mail workshare discounts that better represent Efficient Component Pricing (ECP) by moving the passthrough closer to 100%, particularly for FCM 5-Digit Automation Letters, which represent a significant portion of the total FCM volume. As with all workshare discounts, there are many activities performed by mail service providers such as NAPM members that are not reflected in the USPS cost avoidance calculations but which help reduce the USPS costs as well as adding value to the mailing experience for the businesses using the mail.

For example, the automation presort discount addresses mailer costs to barcode pieces, design them to be automation-compatible, ensure addresses are correct and current, presort and prepare the pieces into handling units and containers – all of which reduce the USPS’ costs as well as improving service performance and allowing businesses access to lower postage prices. The IMb Full-Service and Seamless incentives are provided to mailers on qualifying mail that meets quality requirements, provides the USPS with electronic documentation, and complies with other streamlined mail acceptance standards. Again, these activities not only reduce the USPS’ costs but also provide the USPS with the mailing data it needs for service performance visibility and monitoring and many other USPS initiatives designed to reduce costs, improve efficiency, and add value to mail.

There are many additional activities, however that NAPM members and other mail service providers engage in which benefit the USPS, but are not reflected in any discount methodology or calculation. Mail Service Providers act as liaison between the business customer and the USPS, educating them on rules and regulations, reducing the USPS’ cost to do so. They act as an arm of the USPS’ sales force by selling customers on using USPS products and services and promoting use of the USPS, reducing the USPS’ need to do so. In most cases, mail service providers have established in-depth relationships with business customers as they perform many other services for them, and these relationships allow mail service

providers to guide customers to the best mailing and shipping solutions for their business, which keeps them using the USPS. Mail service providers also monitor and track service performance for their business customers, and help educate them on ways to improve service as well as how to resolve service issues, which also reduces the USPS' need to do so. As noted above, the mailing data provided to the USPS by mail service providers supports a lengthy list of initiatives designed to help reduce USPS costs, grow revenue, resolve service issues and much more. In these ways and many more, the activities performed by mail service providers reduce the USPS' costs for more than just processing and transporting the mail. Keeping workshare discounts as close to 100% as possible helps defray some of the costs that mail service providers incur by performing these activities.

NAPM commends the USPS for adjusting the rate relationship created in R2021-2 between First-Class Mail Automation AADC Letters and First-Class Mail NonAutomation AADC Letters in establishing the same price for both categories which reduced the incentive for mailers to barcode these pieces. The proposed rates in R2022-1 correct that anomaly by establishing a lower rate for the automation pieces.

NAPM also commends the USPS for increasing the weight limit for Qualified Business Reply Mail (QBRM) from 2 to 3.5 ounces and making the price uniform for letters up to 3.5 ounces to help reduce the complexity and barriers to using QBRM.

### **III. Marketing Mail Rate Design**

NAPM commends the Postal Service for continuing to improve the workshare discount rate relationships for DSCF drop ship entry of Marketing Mail. The majority of Marketing Mail volume is entered via drop ship by mailers, not only to achieve workshare discounts but to achieve more reliable and predictable service performance for their business customers. We continue to encourage the Postal Service, however, to use its pricing flexibility to incent the desired mailer entry behavior, such as further increasing the difference between the DSCF drop ship discount and the DNDC drop ship discount, particularly as the USPS looks to redesign its network for mail entry of Market Dominant products. As we have commented previously, mailers who are drop shipping mail deeper into the USPS' network may do so for service performance reasons but also must weigh the transportation costs between entering mail at an origin/local facility, drop shipping to the DNDC or drop shipping to the DSCF. There are many instances today where mail is not drop shipped to the DSCF because the cost far outweighs the discount. If part of the USPS network redesign is to incent preparation and entry of containers to the DSCF, the incentives need to outweigh the costs for mailers to do so.

In addition, NAPM encourages the USPS to explore better aligning the drop ship discount between product categories (e.g., Marketing Mail ECR vs Automation) and between mail classes (e.g., Periodicals vs Marketing Mail) where today there are significant differences in the amount of

the discount, yet it should be based on USPS transportation costs.

NAPM commends the Postal Service for expanding container-level discounts in Marketing Mail and encourages the USPS to continue to look for additional opportunities where container-level discounts reflect its cost savings to drive beneficial mail preparation, both in Marketing Mail and in First-Class Mail as well. As the USPS pointed out in its proposal, creating such new discounts does “not adversely affect either the rates or the service levels of users of postal services who do not take advantage of them.”

## **V. Streamlined Mail Pricing Incentives**

NAPM commends the Postal Service for maintaining its IMb Full-Service and Seamless Acceptance pricing incentives, which encourage mailers to engage in behaviors that make mail more efficient, less costly, and more profitable for the USPS. NAPM urges the Postal Service to consider increasing such pricing incentives over time, however, since the gap between the incentive and mailer costs to comply with the program requirements increases over time.

The USPS designed the IMb Full-Service and Seamless Acceptance incentives to encourage mailers to participate in both programs, and to grow participation over time. Indeed, the USPS last increased the IMb Full-Service incentive (for Marketing Mail) in 2019 to further stimulate adoption for that mail category. The USPS’ continued support of these incentives – which NAPM commends – make clear that there continues to be value for the USPS in having mailers participate. The problem is that as mailer costs to support these initiatives have risen – particularly in the last few years as a result of increased labor costs and increased hardware/software costs – the price incentives have remained the same which means the gap between costs and incentive is growing. NAPM is concerned that more mailers will decide not to participate in IMb Full-Service or Seamless Acceptance because the costs to do so outweigh the benefits. Both programs provide the USPS with cost savings, add value to the mail, and provide the USPS with extensive data that it relies on for programs such as Service Performance Measurement as well as a long list of other initiatives.

Seamless Acceptance Incentive. NAPM encourages the USPS to consider increasing the price incentive for Seamless Acceptance in the next price change. At this point, there should be a full year of data available for analysis (since the incentive was implemented in January 2021), and participation adoption levels should be reviewed in recognition of the ongoing and increasing costs mailers incur to build out technology, maintain systems, and employ skilled labor to support programs like Seamless Acceptance that improve the overall efficiency of the USPS’ system.

According to the USPS’ FY2021 Billing Determinants, looking at each quarter’s data during FY2021 (omitting Quarter 1 since the Seamless Acceptance incentive was not implemented until Quarter 2), the

percent of IMb Full-Service pieces for First-Class Mail that qualified for Seamless Acceptance was between 65-75% depending on the processing category (cards vs letters vs flats). So there is still significant room for growth in adoption of Seamless Acceptance, and it is worth noting that over the course of the year there has not been an upward trend in the adoption level. While this may be partly due to barriers and disincentives that continue to discourage mailers from Seamless Acceptance adoption (which NAPM continues to work closely with the USPS to address), it is also very likely due to the significant and increasing gap between mailer costs to comply with Seamless Acceptance rules and potential savings from the price incentive.

Seamless Acceptance provides the USPS with enhanced visibility of mail, moves much of its manual mail verification process into an automated process, and improves the USPS' operational efficiency. NAPM supports the Seamless price incentive, which is designed to help defray the costs incurred by mailers in order to meet the Seamless Acceptance requirements, but the current incentive needs to be increased in order to fully defray the existing costs as well as costs that are increasing over time.

IMb Full-Service Incentive. NAPM again commends the Postal Service's decision to maintain the existing Full-Service price incentives for production of streamlined intelligent mail, but we recommend that the USPS periodically review IMb Full-Service adoption, at the mail class/product category level, to ensure that participation levels are where they need to be for representative Service Performance measurement as well as trends around IMb Full-Service usage. The IMb Full-Service price incentive continues to partially offset the ongoing and increasing costs for mailers to prepare high value, data-rich, streamlined mail for the USPS. At a time when many mailers are facing increased economic pressures brought on by the pandemic, it is critical to preserve the necessary price incentives to partly defray their ongoing costs and investment to meeting the IMb Full-Service requirements. The issue, however, is that mailer costs have risen significantly in the past 2 years as a result of the pandemic, labor shortages, and supply chain disruptions leading to cost increases.

The PRC in its FY2021 Annual Compliance Determination (ACD) report notes concerns around decreases in the percentage of First-Class Mail and Periodicals measured for service performance by IMb Full-Service. If businesses elect not to qualify mailings for IMb Full-Service because of the increasing gap between costs and the incentive, it will have a detrimental impact on the percentage of mail included in Service Performance measurement. Such decisions may be made first by smaller or mid-sized businesses who are more vulnerable to the impacts of additional cost increases, and these businesses may also tend to be those who experience more service performance challenges and need to have their mailing data included in measurement so that the USPS has visibility into their issues and can help resolve them. If a business' mailing is not included in Service Performance measurement, it also means that



neither the USPS nor the mailer has visibility into the movement of the pieces through the USPS' system and any bottlenecks or service issues they may encounter, which makes it unlikely the USPS will be aware of any issues or be able to resolve them.

Streamlined Mail Incentives. NAPM emphasizes that the IMb Full-Service and Seamless Acceptance price incentives are separate and distinct, with each designed to incent different activities. Often the concepts of the two initiatives are linked together in discussions, but in reality they are different and should be treated separately.

IMb Full-Service focuses on incenting mailers to barcode their mail; submit electronic mailing data; ensure piece, handling unit, and container barcode uniqueness; use valid MIDs and STIDs; identify the mail owner and preparer through By/For data; and ensure correct Entry Facility data is contained in the eDoc for drop shipped mail.

Seamless Acceptance focuses on incenting eDoc submitters (typically Mail Service Providers) on complying with eInduction requirements (for drop shipped mail); ensuring accurate Delivery Points in the barcode; ensuring accurate Nesting/Sortation in the presort; ensuring that postage has been paid on every piece (or providing additional data on "undocumented" mailpieces to show postage has been paid); and ensuring the piece qualifies for the postage rate claimed based on its mail characteristics.

Each of these two initiatives comes with its own set of activities that mailers must perform and processes they must have in place – including software, hardware, quality control measures and more – in order to support the initiative. The Postal Service has recognized the differences between these two initiatives by creating and maintaining two different price incentives. NAPM strongly supports keeping these price incentives separate and distinct and maintaining both in order to help defray the separate costs incurred by mailers.

The "data rich" streamlined mailings provided to the USPS through programs such as IMb Full-Service and Seamless Acceptance continue to be the foundation for a long and growing list of USPS initiatives designed to add value to mail, retain mail volume, reduce USPS' costs, and increase USPS efficiency. From Informed Delivery marketing campaigns, to Service Performance Measurement and diagnostic tools to improve service, to election mail tracking, Informed Visibility, Surface Visibility, and Mailer Scorecard data to drive mail quality improvements, and much more – all rely on the data only mailers can provide with their Streamlined Mail production and processing capabilities. These data-rich capabilities provide benefits to all users of the mail and to the USPS, but they do not come without costs.

Promotion Incentives. While not included in the USPS proposed price changes due to the timing

of the promotions (the current schedule already has been established for 2022 through prior proceeding), NAPM urges the PRC to consider how the USPS could establish a 2023 schedule of Promotions if it decides to forego a January 2023 price change. NAPM supports continuation of the USPS Promotions and believes the PRC and the USPS could develop an acceptable process to allow the USPS the flexibility of proposing Promotions outside of a larger price change proceeding.

Many clients of our members use promotions and we believe that they are at least retaining volume in the mail. Economic conditions are likely to see little improvement in the coming year, and as mailers face increased expenses to operate, having access to postage discounts through USPS promotions helps mitigate the impact of other increases and will help keep mail in the mail. NAPM believes promotions are supported by Objectives 1, 4, and 5 as well as Factors 4, 7, and 13. NAPM would also like the Commission to encourage USPS to develop additional promotions and to continue to work to simplify some of the promotion requirements.

## **VI. Price Change Support**

NAPM commends the Postal Service for providing the price change data SKU files early in the process so that mailers and suppliers can begin testing earlier. Having the data earlier in the process also enabled early identification and correction of minor errors in the pricing tables. Though late in providing other price-change related support materials, NAPM believes the USPS is aware of the issues and importance of doing so in the future. NAPM also commends the Postal Service for interacting with industry through various MTAC workgroups and User Groups to provide technical details and respond to questions.

## **VII. Pricing Implementations**

NAPM commends the Postal Service's decision to forego a price change for Market Dominant products in January 2022. We continue to oppose the Postal Service's "plan" of changing prices twice in the same calendar year for Market Dominant products and hope that the Postal Service's recent remarks that it will consider not changing prices in January 2023 reflect its understanding of the significantly detrimental impact that doing so would have on the mailing industry. We urge the Postal Service to make and announce its decision around a January 2023 price change for Market Dominant products as early as possible so that mailers have time to budget and prepare accordingly. As NAPM has previously stated, two price changes in the same year represent a significant expense for both the USPS and industry to update software, systems, and make other changes necessary to support a price change.

NAPM supports the USPS in the future moving back to a cycle where both Market Dominant and Competitive Services price changes are implemented at the same time, which represents



significant cost savings for all as well as providing more predictability for users of mail and parcels (which often are the same entity or supported by the same software industry).

An annual predictable price change is needed to ensure stability in the mailing and shipping industry, and is supported by the Postal Accountability & Enhancement Act (PAEA), Objective 2, “to create predictability and stability in rates,” and Objective 8, “[t]o establish and maintain a just and reasonable schedule for rates and classifications...”

## **VII. Conclusion**

In closing, NAPM appreciates the work the USPS and the PRC put into price change proposals such as these. We urge the PRC to consider the issues we have raised around workshare discounts and some of the rules from its 10-year review of the rate system, and to provide additional information or clarification where needed. We commend the USPS for continuing to improve workshare discounts and rate relationships, as well as its exploration of new discounts such as container discounts. Ultimately prices, discounts and incentives should be designed to incent mailers to prepare and enter mail in the most efficient manner for the Postal Service.

We commend the Postal Service for foregoing a January 2022 price increase and urge it to seriously consider foregoing a January 2023 increase if possible. We continue to oppose price changes twice in the same calendar year which are costly to both the USPS and the industry as well as creating uncertainty with business mailers trying to budget and plan their mailings.

NAPM members continue to desire to work with the USPS collaboratively on innovative and new approaches to our mutual challenges. Our success is inextricably linked as we all depend on retaining and growing mail volumes.

The NAPM appreciates the Commission's consideration of these comments.

Respectfully submitted,



/s/

National Association of Presort Mailers  
Robert Galaher, Executive Director and CEO  
PO Box 3552  
Annapolis, MD 21403-3552 [www.presortmailer.org](http://www.presortmailer.org)  
eMail: [bob.galaher@presortmailer.org](mailto:bob.galaher@presortmailer.org)  
Phone: (800) 500-6276